

Leengate Industrial & Welding Supplies (Scotland) Limited

Directors' Report and Financial Statements

for the year ended 30 September 2005



**Hobsons
Chartered Accountants
Registered Auditors
Alexandra House
43 Alexandra Street
Nottingham
NG5 1AY**

Leengate Industrial & Welding Supplies (Scotland) Limited

Company information

Directors	R. C. Godley G. Gill J. Calderwood
Secretary	R. C. Godley
Company number	3492467
Registered office	Redfield Road Lenton Nottingham NG7 2UJ
Registered Auditors	Hobsons Chartered Accountants Alexandra House 43 Alexandra Street Nottingham NG5 1AY
Bankers	National Westminster Bank Plc Smiths Branch 16 South Parade Nottingham NG1 2JX

Leengate Industrial & Welding Supplies (Scotland) Limited

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Leengate Industrial & Welding Supplies (Scotland) Limited

**Directors' report
for the year ended 30 September 2005**

The directors present their report and the financial statements for the year ended 30 September 2005.

Principal activity and review of the business

The principal activity of the company in the year under review was that of selling welding supplies and equipment, and associated repair work.

Results and dividends

The results for the year are set out on page 3.

The directors do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	2005	2004
R. C. Godley	-	-
G. Gill	125	125
J. Calderwood	125	125

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

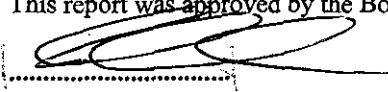
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Registered Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Hobsons be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 31 March 2006 and signed on its behalf by


R. C. Godley
Secretary

Leengate Industrial & Welding Supplies (Scotland) Limited

Independent auditors' report to the shareholders of Leengate Industrial & Welding Supplies (Scotland) Limited

We have audited the financial statements of Leengate Industrial & Welding Supplies (Scotland) Limited for the year ended 30 September 2005 set out on pages 3 to 12. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hobsons
Chartered Accountants and Registered Auditors
Alexandra House
43 Alexandra Street
Nottingham NG5 1AY



31 March 2006

Leengate Industrial & Welding Supplies (Scotland) Limited

**Profit and loss account
for the year ended 30 September 2005**

		Continuing operations	
		2005	2004
	Notes	£	£
Turnover	2	3,456,838	3,430,753
Cost of sales		(2,635,537)	(2,660,477)
Gross profit		<u>821,301</u>	<u>770,276</u>
Administrative expenses		(609,869)	(664,668)
Operating profit	3	<u>211,432</u>	<u>105,608</u>
Interest payable and similar charges	4	(10,762)	(13,724)
Profit on ordinary activities before taxation		<u>200,670</u>	<u>91,884</u>
Tax on profit on ordinary activities	7	(76,528)	(29,380)
Retained profit for the year		124,142	62,504
Retained profit brought forward		<u>139,379</u>	<u>76,875</u>
Retained profit carried forward		<u><u>263,521</u></u>	<u><u>139,379</u></u>

There are no recognised gains or losses other than the profit or loss for the above two financial years.

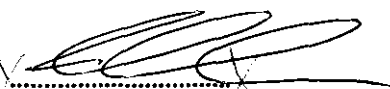
The notes on pages 6 to 12 form an integral part of these financial statements.

Leengate Industrial & Welding Supplies (Scotland) Limited

**Balance sheet
as at 30 September 2005**

		2005		2004	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	8		91,493		103,263
Tangible assets	9		61,966		68,947
			<u>153,459</u>		<u>172,210</u>
Current assets					
Stocks	10	359,898		299,234	
Debtors	11	889,830		1,123,618	
Cash at bank and in hand		1,787		1,514	
		<u>1,251,515</u>		<u>1,424,366</u>	
Creditors: amounts falling due within one year	12	<u>(1,140,453)</u>		<u>(1,456,197)</u>	
Net current assets/(liabilities)			<u>111,062</u>		<u>(31,831)</u>
Net assets			<u>264,521</u>		<u>140,379</u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Profit and loss account			263,521		139,379
Equity shareholders' funds	14		<u>264,521</u>		<u>140,379</u>

The financial statements were approved by the Board on 31 March 2006 and signed on its behalf by



R. C. Godley
Director

The notes on pages 6 to 12 form an integral part of these financial statements.

Leengate Industrial & Welding Supplies (Scotland) Limited

**Cash flow statement
for the year ended 30 September 2005**

	Notes	2005 £	2004 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		211,432	105,608
Depreciation		30,542	34,107
(Increase) in stocks		(60,664)	(30,817)
Decrease in debtors		233,788	(461,882)
(Decrease) in creditors		(279,491)	440,734
Net cash inflow from operating activities		<u>135,607</u>	<u>87,750</u>
Cash flow statement			
Net cash inflow from operating activities		135,607	87,750
Returns on investments and servicing of finance	18	(10,762)	(13,724)
Taxation	18	(35,914)	(9,000)
Capital expenditure	18	(11,790)	(132,244)
Increase in cash in the year		<u>77,141</u>	<u>(67,218)</u>
Reconciliation of net cash flow to movement in net funds (Note 19)			
Increase in cash in the year		77,141	(67,218)
Net debt at 1 October 2004		(226,492)	(159,274)
Net debt at 30 September 2005		<u>(149,351)</u>	<u>(226,492)</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

Notes to the financial statements for the year ended 30 September 2005

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .

The company has consistently applied all relevant accounting standards.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Tenants improvements	-	Straight line over 6 years
Plant and machinery	-	20% reducing balance
Office furniture & fittings	-	15% reducing balance
Office equipment	-	25% straight line
Motor vehicles	-	20% straight line new commercial vehicles/25% reducing balance other vehicles

1.5. Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6. Stock

Stock is valued at the lower of cost and net realisable value.

Cost comprises purchase price or direct production cost together with attributable production and other overhead.

Net realisable value means estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling & distribution.

1.7. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

2. Turnover

	2005	2004
Geographical market		
UK	3,367,701	3,430,753
Rest of the World	89,137	-
	<u>3,456,838</u>	<u>3,430,753</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2005**

3. Operating profit	2005	2004
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off intangible assets	11,770	11,770
Depreciation and other amounts written off tangible assets	18,772	19,413
Loss on disposal of tangible fixed assets	-	2,924
Operating lease rentals		
- Land and buildings	31,954	51,629
- Motor vehicles	8,813	15,921
Auditors' remuneration	3,500	3,500
	<u> </u>	<u> </u>
4. Interest payable and similar charges	2005	2004
	£	£
Bank interest	10,762	10,640
Loan interest	-	3,084
	<u>10,762</u>	<u>13,724</u>
5. Employees		
Number of employees	2005	2004
The average monthly numbers of employees (including the directors) during the year were:	Number	Number
Management and sales	<u>15</u>	<u>14</u>
Employment costs	2005	2004
	£	£
Wages and salaries	292,134	300,372
Social security costs	31,123	30,488
Other pension costs	8,612	8,824
	<u>331,869</u>	<u>339,684</u>
5.1. Directors' emoluments	2005	2004
	£	£
Remuneration and other emoluments	103,178	82,000
Pension contributions	3,441	3,375
	<u>106,619</u>	<u>85,375</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>2</u>	<u>2</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2005**

6. Pension costs

The company operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £8,612 (2004 - £8,824).

7. Tax on profit on ordinary activities

Analysis of charge in period	2005	2004
	£	£
Current tax		
UK corporation tax	69,994	29,380
Adjustments in respect of previous periods	(26,990)	(22,883)
Group relief	33,524	22,883
	<u>76,528</u>	<u>29,380</u>

The Corporation tax payable for the year ended 2004 has been reduced by £33,524 because of group relief received from fellow subsidiary undertakings for which an amount of £33,254 has been paid.

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2005	2004
	£	£
Profit on ordinary activities before taxation	<u>200,670</u>	<u>91,884</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2004 : 30%)	60,201	27,565
Effects of:		
Expenses not deductible for tax purposes	5,773	1,669
Depreciation for the period in excess of capital allowances	4,020	146
Adjustments to tax charge in respect of previous periods	6,534	-
Current tax charge for period	<u>76,528</u>	<u>29,380</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2005**

8. Intangible fixed assets

	Goodwill	Total
	£	£
Cost		
At 1 October 2004 & At 30 September 2005	117,700	117,700
Provision for diminution in value		
At 1 October 2004	14,437	14,437
Charge for year	11,770	11,770
At 30 September 2005	26,207	26,207
Net book values		
At 30 September 2005	91,493	91,493
At 30 September 2004	103,263	103,263

9. Tangible fixed assets

	Tenants improvements	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 October 2004	22,600	5,985	44,679	61,832	135,096
Additions	-	199	4,257	7,334	11,790
At 30 September 2005	22,600	6,184	48,936	69,166	146,886
Depreciation					
At 1 October 2004	15,724	2,954	21,162	26,309	66,149
Charge for the year	1,250	647	6,158	10,716	18,771
At 30 September 2005	16,974	3,601	27,320	37,025	84,920
Net book values					
At 30 September 2005	5,626	2,583	21,616	32,141	61,966
At 30 September 2004	6,876	3,031	23,517	35,523	68,947

10. Stocks

	2005	2004
	£	£
Finished goods and goods for resale	359,898	299,234

Leengate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2005**

11. Debtors	2005 £	2004 £
Trade debtors	858,687	1,034,246
Amounts owed by group undertakings	13,222	28,079
Other debtors	17,921	61,293
	<u>889,830</u>	<u>1,123,618</u>

12. Creditors: amounts falling due within one year	2005 £	2004 £
Bank overdraft	151,138	228,006
Trade creditors	575,620	760,939
Amounts owed to group undertaking	292,924	410,661
Corporation tax	69,994	29,380
Other taxes and social security costs	27,510	7,226
Other creditors	23,267	19,985
	<u>1,140,453</u>	<u>1,456,197</u>

Bank overdrafts amounting to £151,138 (2004 £228,006) are secured by a charge over book debts.

13. Share capital	2005 £	2004 £
Authorised		
1,000 Ordinary shares of 1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1,000 Ordinary shares of 1 each	<u>1,000</u>	<u>1,000</u>

14. Reconciliation of movements in shareholders' funds	2005 £	2004 £
Profit for the year	124,142	62,504
Opening shareholders' funds	140,379	77,875
Closing shareholders' funds	<u>264,521</u>	<u>140,379</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2005**

15. Financial commitments

At 30 September 2005 the company had annual commitments operating leases as follows:

	Land and buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
Expiry date:				
Between one and five years	<u>31,000</u>	<u>31,000</u>	<u>10,909</u>	<u>5,167</u>

16. Related party transactions

The following transactions with related parties occurred during the year.

Related parties	Sales	Purchases	Management & Administration charges
Intermediate parent undertaking	£Nil (2004 £Nil)	£Nil (2004 £Nil)	£40,000 (2004 £36,000)
Fellow subsidiary undertakings	£64,292 (2004 £83,868)	£226,375 (2004 £363,211)	£Nil (2004 £Nil)

All purchases and sale of goods to group companies are at cost

During the year the company acquired motor vehicles from fellow subsidiary undertakings at a cost of £7,334.

The company had the following balances with related parties:

	2005	2004
Amounts owed by intermediate parent undertakings.	£Nil	£Nil
Amounts owed by fellow subsidiary undertakings.	£13,222	£28,079
Amounts owed to intermediate parent undertakings.	£83,505	£91,380
Amounts owed to fellow subsidiary undertakings.	£209,419	£319,281

17. Ultimate parent undertaking

The company is a 75% subsidiary of Leengate Welding Group Limited, a company registered in England & Wales.

The ultimate parent company is The BOC Group plc, a company registered in England and Wales.

Leengate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2005**

18. Gross cash flows

	2005	2004
	£	£
Returns on investments and servicing of finance		
Interest paid	(10,762)	(13,724)
Taxation		
Corporation tax paid	(35,914)	(9,000)
Capital expenditure		
Payments to acquire intangible assets	-	(100,000)
Payments to acquire tangible assets	(11,790)	(32,670)
Receipts from sales of tangible assets	-	426
	<u>(11,790)</u>	<u>(132,244)</u>

19. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	1,514	273	1,787
Overdrafts	(228,006)	76,868	(151,138)
	<u>(226,492)</u>	<u>77,141</u>	<u>(149,351)</u>
Net funds	<u>(226,492)</u>	<u>77,141</u>	<u>(149,351)</u>